



Pre-Retirement Education Program (PREP)

KRS administers retirement benefits for over 340,000 state and local government employees

These employees include state employees, state police officers, city & county employees, local agency employees, & nonteaching staff of local school boards & regional universities.



**Kentucky Employees
Retirement System**
Hazardous | Nonhazardous



**State Police
Retirement System**



**County Employees
Retirement System**
Hazardous | Nonhazardous

PLAN ADMINISTRATION



A thirteen-member Board of Trustees administers the Systems:

- **Two** trustees elected by KERS members
- **Three** trustees elected by CERS members
- **One** trustee elected by SPRS members
- **Six** trustees appointed by the Governor
 - One must be knowledgeable about the pension requirements on local governments
 - Two must have at least 10 years of investment experience
 - One each from lists of nominees submitted by the KY League of Cities, the KY Association of Counties, & the KY School Boards Assoc.
- The Secretary of the Kentucky Personnel Cabinet, ex officio
- The Board appoints an Executive Director to act as the Chief Administrative Officer of the Board
- KRS reports for budget purposes to the Kentucky General Assembly



PLAN FUNDING

*How are my
retirement
benefits funded?*



PLAN FUNDING



Employee Contributions

- Rate is set by statute
- Rate cannot be adjusted by the employee
- Contributions are taxed-deferred



Employer Contributions

- Rate determined by KRS Board of Trustees
- Subject to approval by General Assembly



Investment Income

- The KRS Investment Committee has the authority to make investment decisions and hire external investment managers and consultants
- KRS utilizes internal investment staff, external investment managers, and independent investment consultants to conduct the investment program

PLAN FUNDING

Contribution Rates

2015-2016	Employee Contribution	Employer Contribution
KERS Nonhazardous	5%	38.77%
KERS Hazardous	8%	26.34%
CERS Nonhazardous	5%	17.06%
CERS Hazardous	8%	32.95%
SPRS	8%	75.76%

* Employees with a participation date after 9/1/2008 contribute an additional 1% towards the KRS Insurance Fund





ASSETS & BENEFIT PAYMENTS

as of June 30, 2014

- The market value of KRS assets was **\$16.17 billion** (pension & insurance)
- KRS pays over **\$2 billion** in pension & insurance benefits each year
 - 94% of benefit payments are delivered to Kentucky residents & have a significant impact on the Kentucky economy
 - Each \$1.00 paid out in pension benefits supported \$1.67 in total economic activity in Kentucky



Source: June 30, 2014 Actuarial Valuation & June 30, 2014 Comprehensive Annual Financial Report

What is Creditable Compensation?

Creditable compensation is compensation that must be reported to KRS and is used to calculate retirement benefits.



What is included?

- **All salary, wages, tips and fees, plus payments for *compensatory time** paid to you as a result of services performed for the employer, including time when you are on paid leave.
- **Lump sum bonuses, severance pay** or employer-provided payments for purchase of service credit
- **Lump sum payments for sick leave** when an employee terminates may be included IF the agency participates in the Alternate Sick Leave Program.



****For employees hired on or after September 1, 2008, creditable compensation will not include any payments for compensatory time.***



What is NOT included?

- **Living allowances**
- **Expense Reimbursements**
- **Lump-sum payments for unused vacation time**
- **Lump-sum payments for unused sick leave** *(Unless the agency participates in the Alternate Sick Leave Program)*





Did you know...



Kentucky Employees Retirement System

Hazardous | Nonhazardous

Average Salary
\$32,077

Average Salary
\$39,081

Average Benefit
\$15,952

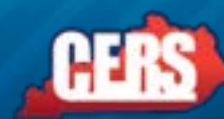
Average Benefit
\$22,404



State Police Retirement System

Average Salary
\$52,182

Average Benefit
\$40,330



County Employees Retirement System

Hazardous | Nonhazardous

Average Salary
\$52,117

Average Salary
\$28,013

Average Benefit
\$27,135

Average Benefit
\$11,569

*as of June 30, 2014 - report is in the Comprehensive Annual Financial Report



Did you know...



**Kentucky Employees
Retirement System**

NonHazardous

Active - 40,500

Retired - 38,022

Hazardous

Active - 4,094

Retired - 2,467

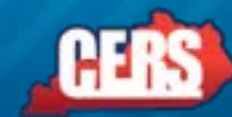


**State Police
Retirement System**

Hazardous

Active - 861

Retired - 1,279



**County Employees
Retirement System**

NonHazardous

Active - 82,494

Retired - 46,112

Hazardous

Active - 9,189

Retired - 6,066

***as of June 30, 2014 - report is in the Comprehensive Annual Financial Report**



Member Accounts



How KRS Protects Your Information



Policies & Processes



Personal Identification Number (PIN)

- 4-digit number
- Serves as added layer of security
- Required to obtain account information by phone



Member ID

- 6 or 7 digit number
- Used to maintain your account and file information
- Used on forms and letters

Self Service

What can you do with your online account?

- Contact Information
- Account History
- Service Purchase Estimate
- Annual Statement
- Account Summary
- Benefit Estimate
- Account Balance Letter
- Member Correspondence

myretirement.ky.gov





Member Accounts

What happens to my account if I terminate employment?

- **Retire, if eligible**
- **Leave the contributions in KRS until you reach retirement eligibility**
- **Refund of account balance**
 - You will receive a one-time payment representing the money you contributed plus interest. The money your employer(s) contributed will remain with KRS.
 - Refunds can be paid in a lump sum or rolled into another qualified retirement plan
 - If you take a lump sum refund, KRS is required to withhold 20% for federal income taxes.

Determining Retirement Benefits

How is my monthly payment calculated?

The three (3) systems administered by the Kentucky Retirement Systems are qualified public defined benefit plans

A defined benefit plan pays benefits based on a formula



X Reduced Benefit Percentage
(if applicable)



Years of SERVICE

Current Service

Current service is earned as a contributing member. For each month in which wages and contributions are reported for regular full-time employment, a member earns one month of service credit.

Note: A regular full-time position averages 100 or more hours per month over a calendar or fiscal year.

For local school boards, a regular full-time position is a permanent full-time, permanent part-time or substitute non-certified position where the job duties require the employee to average 80 or more hours of work per month over actual days worked.

Types of Service Credit

Current Service

+ Sick Leave Service

+ Purchased Service

= Years of SERVICE



FINAL
Compensation



Benefit
FACTOR



Years of
SERVICE

PRIOR SERVICE CREDIT -

Before July 1, 1956 in KERS. Before July 1, 1958 in CERS or SPRS.



Sick Leave Service Credit

KERS & SPRS – Standard Plan



- pre 9/2008 participation: unlimited

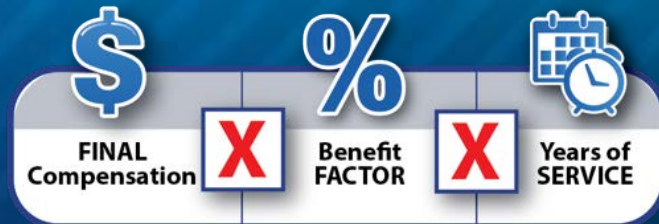


- post 9/2008 participation:
12 months maximum

CERS – Optional for each agency

- Standard Sick Leave Plan: Credit up to 6 months
CERS employers may choose to split cost of sick leave in excess of 6 months or elect to pay the entire cost
- Alternate Sick Leave Plan: Members are paid for unused sick leave and receive service credit at termination or retirement.

Subject to the employer's personnel policy





Sick Leave Service Credit



**For Pre 9/2008
participants, sick leave
service credit counts
toward retirement
eligibility and health
insurance benefits**





Sick Leave Service Credit

7 ½ Hour Day	8 Hour Day	Months of Service
82.5	88	1 Month
240	256	2 Months
397.5	424	3 Months
555	592	4 Months
712.5	760	5 Months
870	928	6 Months
1,027.5	1,096	7 Months
1,185	1,264	8 Months
1,342.5	1,432	9 Months
1,500	1,600	10 Months
1,657.5	1,768	11 Months
1,815	1,936	12 Months

For more chart information, please refer to your PREP Handbook.



PURCHASED SERVICE

Current Service

+ Sick Leave Service

+ Purchased Service

= Years of SERVICE

Basic Requirements for Purchased Service Credit

Most types of service must meet minimum requirements in order to be purchased:

- The service must be in a full-time position in accordance with Kentucky Revised Statutes 61.510 and 78.510.
- The service cannot be credited to another defined benefit retirement plan.
- The member or the employer must provide verification of employment as required by KRS.

Most purchase types require the member to be participating and vested in KERS, CERS, or SPRS at the time the purchase is made.



PURCHASED SERVICE

Current Service

+ Sick Leave Service

+ Purchased Service

= Years of SERVICE

Can I Buy Additional Service Credit?

- Purchases made after 8/1/2004 do not count toward insurance eligibility except for omitted service, hazardous conversion, and refund buybacks.
- Members with a participation date on or after 8/1/2004 cannot use most service purchase types for determining eligibility for retirement, disability retirement and death benefits.



Benefits of **PURCHASING SERVICE**

For members who participated prior to 8/1/04, purchasing service allows them to retire earlier.

For example, a non-hazardous member can work 22 years, purchase 5 years of service and retire without penalty based on 27 years of service.

Members also purchase service to increase their monthly retirement benefit.





Benefits of PURCHASING SERVICE

***Compare estimates with and without
eligible service purchases:***

- **Carefully compare the cost of the service credit against the benefits of the purchase.**
- **Weigh the cost against the recovery of the investment.**





Strategies for your Retirement: Purchasing Service Credit

WITHOUT Purchase

Years of service = 27 years
Final Compensation = \$29,340



Retirement Formula:

$$\begin{array}{r} 27 \text{ yrs} \times 2.2\% \\ \times \$29,340 = \\ \hline \$17,427.96 \end{array}$$



WITH Purchase

Years of service = 32 years
(27 current + 5 purchased)
Final Compensation = \$29,340



Retirement Formula:

$$\begin{array}{r} 32 \text{ years} \times 2.2\% \\ \times \$29,340 = \\ \hline \$20,655.36 \end{array}$$

By purchasing 5 years of service credit, the annual benefit increased by **\$3,227.40**. On a monthly basis, the benefit increased by **\$268.95!**



Strategies for your Retirement: Purchasing Service Credit

MEMBERS SHOULD CAREFULLY
COMPARE THE COST OF
PURCHASING SERVICE CREDIT TO
THE INCREASED BENEFIT AMOUNT.

Hypothetical Cost to purchase 5
years: \$30,000

$$\text{\$30,000} / \text{\$3227.40} = 9.3 \text{ years}$$

Use our Member Self Service website at
Myretirement.ky.gov to produce retirement
estimates and service purchase cost calculations



PURCHASED SERVICE



CALCULATING SERVICE CREDIT

- For almost all purchase types, the cost is determined by multiplying the higher of the member's current rate of pay, final rate of pay, or Final Compensation by the actuarial factor by the number of years of service being purchased.
- The actuarial factor used to calculate the cost varies based upon your age, years of accrued service credit, applicable benefit factor, and eligibility for Final Compensation.





PURCHASING SERVICE

Types of Service Credit

Purchases Without Service Requirements:

- **Repayment of a Refund***
(6 months to validate)
- **Omitted Service**
- **Summer Months**
- **Hazardous Conversion**

** The purchase does not reinstate the original participation date from that service.*





PURCHASING SERVICE

Types of Service Credit

Vested Purchase Types

**Past
Service**

**Active Duty
Military**

**National
Guard/
Reserves**

**State
University
Service**

**Out of State
Service**

Temporary

Seasonal

**Other Public
Service**

**Educational
Leave**

**Federal
Government**

Interim

Emergency

**Maternity
Leave**

**Sick Leave
Without Pay**

Part-Time

**See PREP Handout for a complete listing of purchase types
and required documentation.**



PURCHASING SERVICE

Types of Service Credit

Non-Qualified Service (Air Time)

- May purchase up to 5 years
- Must have *15 years* of service credit to purchase
- Requires *20 years* in order for service to be added at the time of retirement
- Must have at least *60 months* of current service in KERS, CERS, SPRS
- Only employees participating before August 1, 2002 will be eligible to purchase non-qualified service



PAYING FOR SERVICE PURCHASE



Lump Sum Payment

- Federal law limits the use of after-tax money to purchase service by lump sum payment
- IRC 415(c)



Installment Purchase of Service Agreement (IPS):

- Before-Tax
- After-Tax {Subject to IRC 415(c)}



Rollover or Transfer from a Qualified Plan:

- Section 401(a), 401(k), 403(b), 457
- “Conduit” or “Rollover” IRA
- Traditional IRA

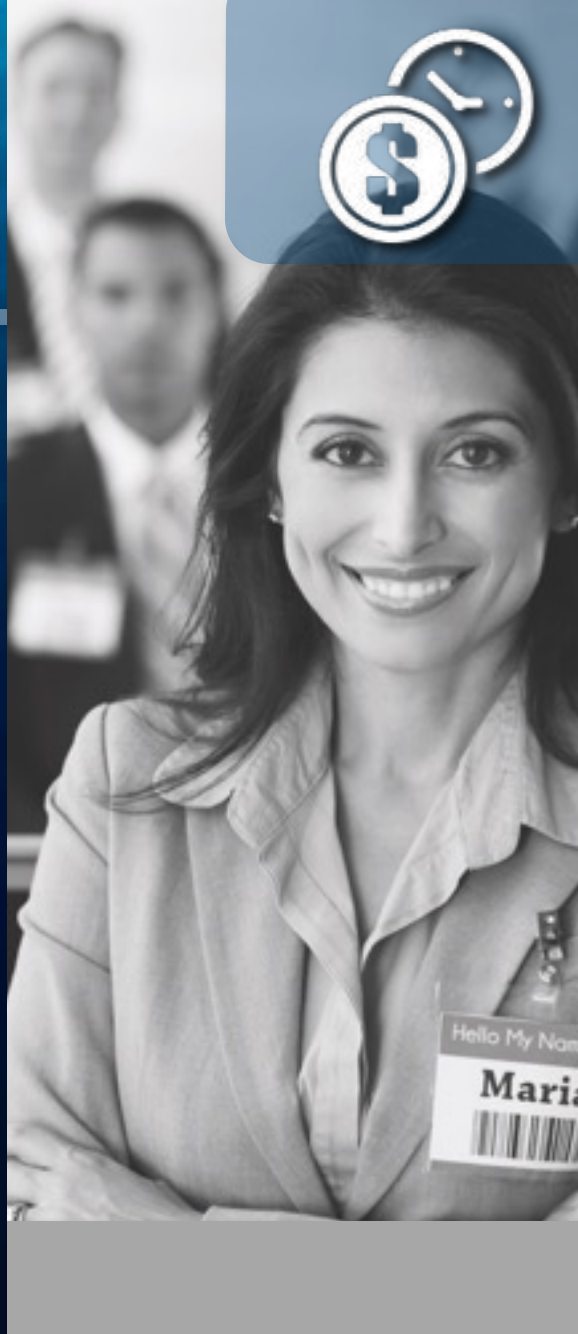
To initiate a rollover or transfer, Form 4170 must be completed and is available online or by request.



PAYING FOR SERVICE PURCHASE

IRC 415(c): Effect on Service Purchases: *Exceptions from the 415(c) limits*

- ✓ Repayment of Refunds
- ✓ Before-tax Contributions, Rollovers, and Transfers
- ✓ In-Service Transfers
- ✓ Grandfathered Service
 - Participation date prior to 7/99
 - Service purchases that were available to members of the plan on 8/5/97 (relative to system in which service is purchased)
- ✓ Omitted Service





PAYING FOR SERVICE PURCHASE



Installment Payment Plan (IPS)

- ✓ A minimum service purchase cost of \$1,000 is required.
- ✓ One year of installment payments is allowed for each \$1,000 in cost with a maximum of 5 years to pay off the cost.
- ✓ An interest charge of 7.5% compounded annually is applied to the cost.





PAYING FOR SERVICE PURCHASE



Installment Payment Plan (IPS)

Before-Tax IPS

*An employee may **not** cancel the installment agreement.*

- The before-tax installment is an irrevocable, binding agreement that can not be altered or terminated.
- An employee can not prepay or pay off early the terms of the agreement.
- The before-tax installment shall only cease in the case of death or termination of employment.
- Upon termination of employment, the member may have the ability to pay off the remaining balance of the installment agreement by lump sum payment (if eligible), but the payment must be made **BEFORE** retirement.



PAYING FOR SERVICE PURCHASE



Installment Payment Plan (IPS)

Can A Member Stop Payment/ Pay Off an IPS contract?

- An employee purchasing service through an after-tax IPS agreement can stop payment or pay off the balance of the contract at any time.
- If the member stops payment and does not pay off the balance, only service purchased through the last payment will be credited to the account.



PAYING FOR SERVICE PURCHASE



Installment Payment Plan (IPS)

Can A Member/Beneficiary Stop Payment/ Pay Off an IPS contract?

Termination of Employment/Death:

- A member or beneficiary may pay off the remaining balance of a pre-tax or post-tax IPS agreement within 60 days from termination or death
- If the member or beneficiary chooses not pay off the balance, only service purchased through the last payment will be credited to the account
- Members planning to retire will also be given 60 days from termination of employment to pay off a pre-tax or after tax IPS agreement.

NOTE: Payments for the remaining balance must be received prior to the member's effective retirement date.



Service With Other Plans

What are the other State Administered Systems?



**Kentucky Employees
Retirement System**
Hazardous | Nonhazardous



**County Employees
Retirement System**
Hazardous | Nonhazardous



**State Police
Retirement System**

**Kentucky Teachers
Retirement System (KTRS)**

Legislators Retirement Plan (LRP)

Judicial Retirement Plan (JRP)





Service With Other Plans

What if I have time in another Retirement System?

**Members who have accounts in more than one
state-administered retirement system in Kentucky**

- Accounts may be combined at the time of retirement to determine retirement eligibility and benefit amounts.
- 12 years KTRS + 15 years CERS = 27 total years service credit.
- Eligible for unreduced benefits based on a combined 27 years.
- The member would receive a check from each system based on the actual service in each system.





Retirement Eligibility

When can I retire?



When can I retire?

NONHAZARDOUS

Requirements for an Unreduced Benefit:

Age 65 or older

(48 months of service credit)

Eligible to receive an unreduced monthly benefit based on the retirement formula

Age 65 or older

(with at least 1 month of service credit)

Eligible to receive a benefit for life that is the actuarial equivalent to twice the member's contributions and interest

27 years of service credit

- regardless of age

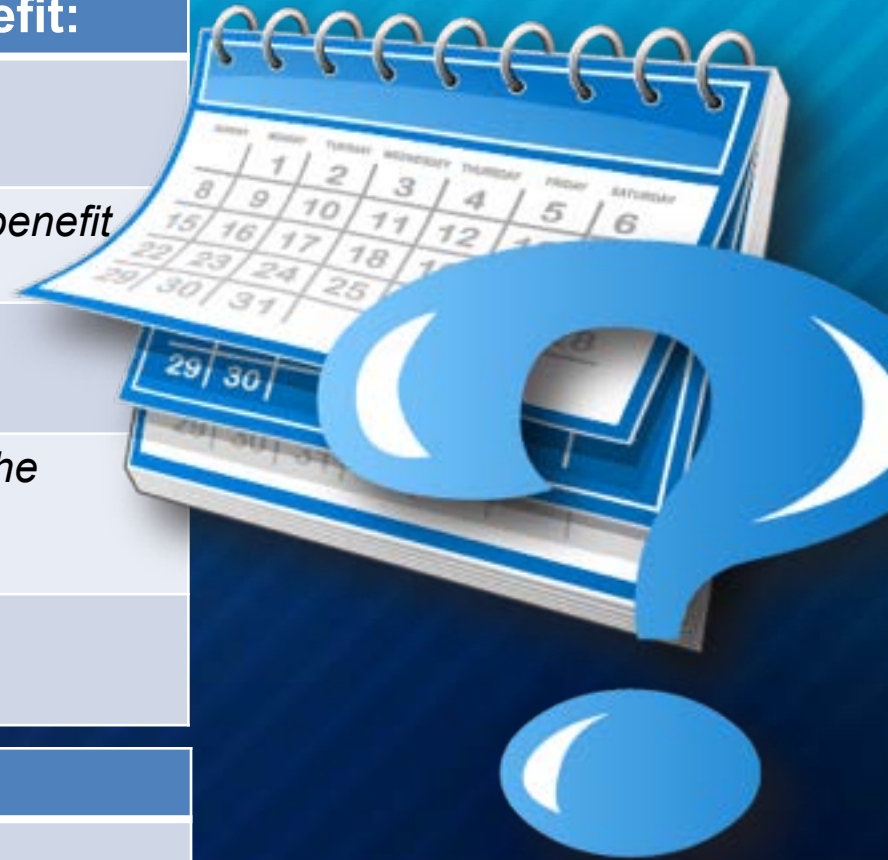
Requirements for a Reduced Benefit:

25 to 27 years of service credit

- regardless of age

Age 55

(with at least 60 months of service)





When can I retire?

HAZARDOUS

Requirements for an Unreduced Benefit:

20 years of service credit

Eligible to receive an unreduced monthly benefit based on the retirement formula

Age 55 or older

(with at least 1 month of service)

Eligible to receive a benefit for life that is the actuarial equivalent to twice the member's contributions and interest

Age 55 or older

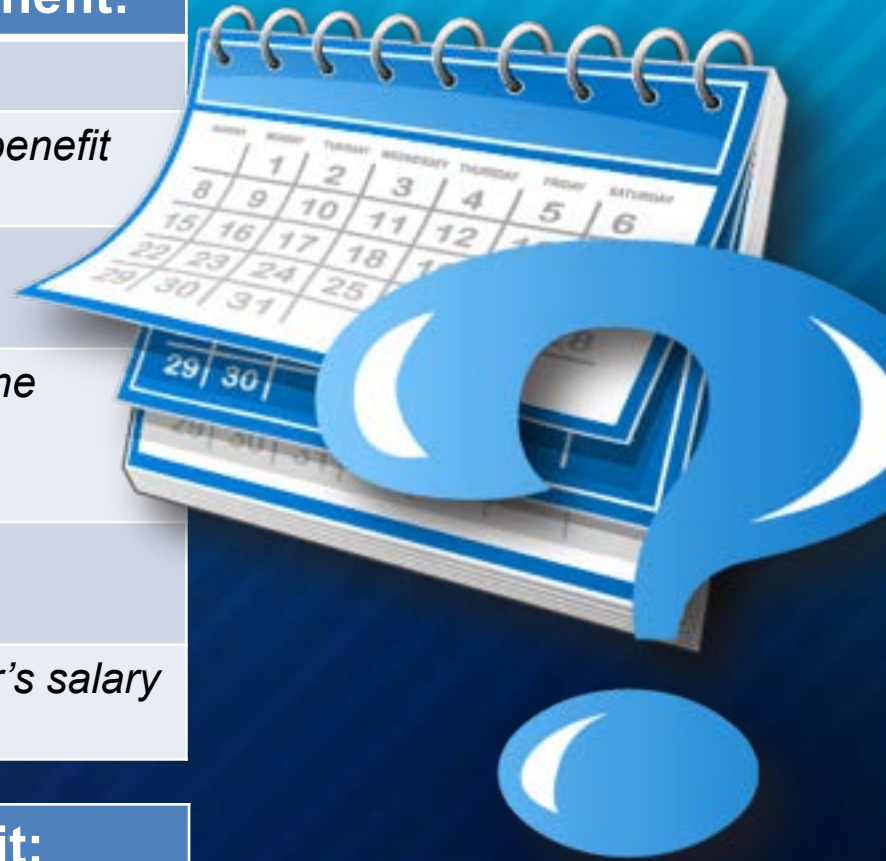
(with at least 60 months of service)

Eligible for a benefit based on the member's salary and service.

Requirements for a Reduced Benefit:

Age 50

(with at least 15 years of service credit)





When can I retire?

NONHAZARDOUS

Requirements for an Unreduced Benefit:

Rule of 87:

****Age + years of service credit must = 87***

**Member must be at least 57 years of age*

Age 65

(with 5 years of service credit)

Requirements for a Reduced Benefit:

Age 60

(with 10 years of service credit)





When can I retire?

HAZARDOUS

Requirements for an Unreduced Benefit:

25 or more years of service credit

Age 60

(with 60 months of service credit)

Requirements for a Reduced Benefit:

Age 50

(with 180 months of service credit)



Determining Retirement Benefits

How is my monthly payment calculated?

The three (3) systems administered by the Kentucky Retirement Systems are qualified public defined benefit plans

A defined benefit plan pays benefits based on a formula



X Reduced Benefit Percentage
(if applicable)



FINAL Compensation



- Final Compensation is defined as the average of the **HIGHEST FIVE (5) FISCAL YEARS** of salary for **NONHAZARDOUS** and **HIGHEST THREE (3) FISCAL YEARS** of salary for **HAZARDOUS**
- Partial years may be used to determine Final Compensation
- A minimum of 48 months may be used in the averaging of salary **FOR NONHAZARDOUS** and a minimum of 24 months for **HAZARDOUS**
- **Compensatory payments can be reported as salary and used in determining the average salary*



FINAL Compensation

Salary Average

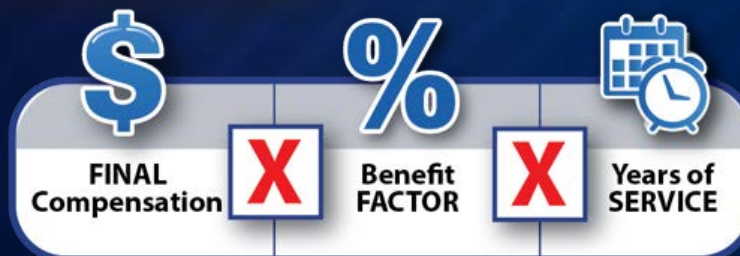
The average salary used for determining benefits at the time of retirement

NONHAZARDOUS

HIGH 5		
YEAR	PAY	# MONTHS
2015-16	\$3,400	1*
2014-15	\$41,000	12
2013-14	\$40,000	12
2012-13	\$38,000	12
2011-12	\$37,500	12
$\{\$159,900 \div 49\} \times 12$ $= \$39,159.18$		

HAZARDOUS

HIGH 3		
YEAR	PAY	# MONTHS
2015-16	\$4,400	1*
2014-15	\$53,000	12
2013-14	\$51,000	12
$\{\$108,400 \div 25\} \times 12$ $= \$52,032$		





FINAL Compensation

- Final Compensation is defined as the **LAST FIVE (5) FULL FISCAL YEARS** of salary for **NONHAZARDOUS** and **HIGHEST THREE (3) FULL FISCAL YEARS** of salary for **HAZARDOUS**
- Partial fiscal years will not be used to determine Final Compensation for Tier 2 members





FINAL Compensation

Salary Average

The average salary used for determining benefits
at the time of retirement

NONHAZARDOUS

LAST 5

YEAR	PAY	# MONTHS
2014-15	\$41,000	12
2013-14	\$40,000	12
2012-13	\$38,000	12
2011-12	\$37,500	12
2010-11	\$36,000	12

$$\{ \$192,500 \div 60 \} \times 12$$
$$= \$38,500$$

HAZARDOUS

HIGH 3

YEAR	PAY	# MONTHS
2014-15	\$53,000	12
2013-14	\$51,000	12
2012-13	\$50,000	12

$$\{ \$154,000 \div 36 \} \times 12$$
$$= \$51,333$$



FINAL
Compensation



Benefit
FACTOR



Years of
SERVICE

Benefit FACTOR



Set by statute
and vary based on:

- Participation date
- Type of service

KERS Nonhazardous (1)	1.97%
If member does not have 13 months credit for 1/1/1998-1/1/1999	
KERS Nonhazardous (2)	2.00%
If member has 13 months credit for 1/1/1998-1/1/1999	
KERS Hazardous	2.49%
Only approved hazardous duty position are eligible.	
CERS Nonhazardous (1)	2.00%
If member began participating on or after 8/1/2004 and before 9/1/2008	
CERS Nonhazardous (2)	2.20%
If member began participating prior to 8/1/2004	
CERS Hazardous	2.50%
Only approved hazardous duty position are eligible.	
SPRS	2.50%
Only approved hazardous duty position are eligible.	



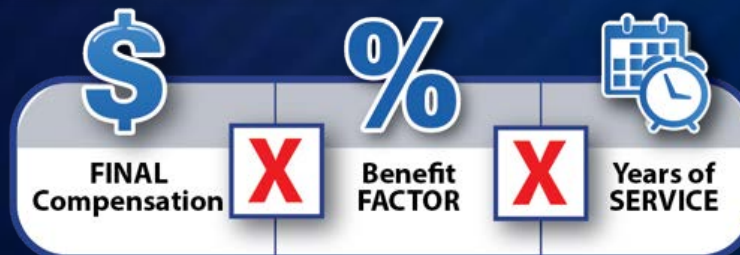
Benefit FACTOR



**Set by statute
and vary based on:**

- Participation date
- Retirement date
- Type of service
- Total amount of service
- Higher factors are attained as members reach higher levels of service.

NONHAZARDOUS	
1.10%	<120 months
1.30%	121 - 240 months
1.50%	241 - 312 months
1.75%	313 - 360 months
2.00%	> 361 months*
* The 2.00% benefit factor only applies to service credit in excess of 30 years.	
HAZARDOUS	
1.30%	<120 months
1.50%	121 - 240 months
2.25%	241 - 300 months
2.50%	>300 months





**REDUCED
BENEFIT CHART NONHAZ**
Years to Attain Age 65 or 27 Years
of Service (Whichever is Less)
% of Non-Hazardous Benefit Paid



Year	% of Benefit	Year	% of Benefit
1	93.5%	6	63%
2	87%	7	58.5%
3	80.5%	8	54%
4	74%	9	49.5%
5	67.5%	10	45%

**If you will be receiving a reduced benefit
under early retirement:**

**An additional percentage is used in the calculation,
lowering the retirement benefit.**

***Reduced Benefit is also known
as ERF (Early Retirement Factor)***





**REDUCED
BENEFIT CHART NONHAZ**
Years to Attain Age 65 or 27 Years
of Service (Whichever is Less)
% of Non-Hazardous Benefit Paid



Year	% of Benefit	Year	% of Benefit
1	93.5%	6	63%
2	87%	7	58.5%
3	80.5%	8	54%
4	74%	9	49.5%
5	67.5%	10	45%

FOR EXAMPLE -

a non-hazardous member has 25 years of service and is age 55. If the member chooses to retire, his/her benefit will be reduced to 87%.

(6.5% for each year away from 27 years of service).





See pages 28-31 in
the PREP Handbook

Example:

*John Doe works in a Nonhazardous position
for an agency participating in CERS*



- Retirement Date: 8/1/2015
- Final Compensation is \$29,340
- 27 years of Service Credit

Final Compensation multiplied by **Benefit Factor (%)** multiplied by **Years of Service**
equals **BASIC ANNUAL BENEFIT**



Retirement Formula:

Members participating prior to 9/1/08

$$\begin{aligned} &\$29,340 \times 2.2\% \\ &\quad \times 27 \text{ yrs} = \\ &\underline{\hspace{1.5cm}} \\ &\$17,427.96 \end{aligned}$$



Retirement Payment Options



Retirement Payment Options

- Upon retirement, KRS provides various payment options.
- Carefully review the payment options.
- No changes can be made to the payment option or the designated beneficiary after the 1st day of the month the first check is issued.
- Test each option by assuming various contingencies and the likelihood of the contingencies occurring.
- For most payment options, an individual must be receiving a monthly retirement allowance to participate in the medical insurance program.

Retirement Payment Options

The payment amounts below are examples only

Payment Options	Member Payment	(or) Beneficiary Payment
Basic Option	\$1,452.33	\$0.00
Life with 10 years certain	\$1,432.19	\$1,432.19 (or) \$0.00
Life with 15 years certain	\$1,408.70	\$1,408.70 (or) \$0.00
Life with 20 years certain	\$1,378.87	\$1,378.87 (or) \$0.00
Survivorship 100%	\$1,321.32	\$1,321.32
Survivorship 66 2/3 %	\$1,362.28	\$908.23
Survivorship 50%	\$1,383.73	\$691.87
Pop-Up Option	\$1,310.14* (see Handbook)	\$1,310.14

Go to myretirement.ky.gov for your specific retirement

Retirement Payment Options

Social Security Adjustment Options:

- A member must be under age 62 to choose a Social Security Adjustment Option.
- The Social Security Adjustment Options allow you to receive a higher monthly payment from your retirement date to your 62nd birthday, at which time your payment will drop, based on your age 62 Social Security payment. *(The Social Security with Beneficiary Option is available only if you and the beneficiary meet certain age requirements.)*

Payment Options	Member Payment		(or) Beneficiary Payment	
<i>Social Security Options</i>	<i>Until Age 62</i>	<i>Age 62 & After</i>	<i>Until Age 62</i>	<i>Age 62 & After</i>
Without Survivor Rights	\$2,145.71	\$1,145.71	\$0.00	\$0.00
With Survivor Rights	\$2,040.24	\$1,040.24	\$2,040.24	\$1,040.24

EXAMPLE BASED ON \$1,000 MONTHLY SOCIAL SECURITY BENEFIT AT AGE 62



Example:

Jerry Doe works in a Hazardous position for an agency participating in KERS



- Retirement Date: 7/1/2015
- Final Compensation is \$45,500
- 20 years of Service Credit

Final Compensation multiplied by **Benefit Factor (%)** multiplied by **Years of Service** equals **BASIC ANNUAL BENEFIT**



Retirement Formula:

Members participating prior to 9/1/08

$$\begin{aligned} & \$45,500 \times 2.5\% \\ & \times 20 \text{ yrs} = \\ & \underline{\hspace{1.5cm}} \\ & \$22,750.00 \end{aligned}$$

Retirement Payment Options

The payment amounts below are examples only		
Payment Options	Member Payment	(or) Beneficiary Payment
Basic Option	\$1,888.25	\$0.00
Life with 10 years certain	\$1,876.39	\$1,876.39 (or) \$0.00
Life with 15 years certain	\$1,862.35	\$1,862.35 (or) \$0.00
Life with 20 years certain	\$1,843.44	\$1,843.44 (or) \$0.00
Survivorship 100%	\$1,746.93	\$1,746.93
Survivorship 66 2/3 %	\$1,791.62	\$1,194.47
Survivorship 50%	\$1,814.84	\$907.42
Pop-Up Option	\$1,742.49* <i>(see Handbook)</i>	\$1,742.49
10 Year/120 Month Certain	\$3,162.82	\$3,162.82

Go to myretirement.ky.gov for your specific retirement

Retirement Payment Options

Social Security Adjustment Options:

- A member must be under age 62 to choose a Social Security Adjustment Option.
- The Social Security Adjustment Options allow you to receive a higher monthly payment from your retirement date to your 62nd birthday, at which time your payment will drop, based on your age 62 Social Security payment. *(The Social Security with Beneficiary Option is available only if you and the beneficiary meet certain age requirements.)*

Payment Options	Member Payment		(or) Beneficiary Payment	
<i>Social Security Options</i>	<i>Until Age 62</i>	<i>Age 62 & After</i>	<i>Until Age 62</i>	<i>Age 62 & After</i>
Without Survivor Rights	\$2,187.38	\$987.38	\$0.00	\$0.00
With Survivor Rights	\$2,097.90	\$897.90	\$2,097.90	\$0.00

EXAMPLE BASED ON \$1,200 MONTHLY SOCIAL SECURITY BENEFIT AT AGE 62



Tax Treatment of Retirement Benefits

Federal Income Tax

- Monthly benefits from KERS, CERS and SPRS are subject to federal income tax.

State Income Tax

- All benefits attributable to service earned before Dec 31, 1997 are exempt from Kentucky income tax. *Includes purchased service.*
- The portion of the benefits earned Jan 1, 1998 and after is subject to KY income tax.
- Retirement income from all sources including KERS, CERS and SPRS benefits earned Jan 1, 1998 and after, as well as income from private pensions such as IRAs, Deferred Compensation and others may be excludable up to \$41,110.

See example on page 38 of your PREP Handbook.



Divorce and Retirement Benefits

QDRO: Qualified Domestic Relations Order

KRS accepts and enforces QDROs that are submitted in accordance with Kentucky Revised Statute 61.690 and 105 KAR 1:190. QDROs will only be accepted if they are on the form incorporated by reference to the administrative regulation.

A final divorce decree voids the designation of a spouse as beneficiary.

If the divorce occurs after the first day of the month in which the retirement allowance has been issued by the State Treasurer, the retired member's estate becomes the beneficiary of the account.



Timing and Strategies



STRATEGIES

For Your Retirement

Purchasing Service Credit

Using Accrued Sick Leave

Using Compensatory Time

Timing Your Retirement



Strategies for your Retirement: Purchasing Service Credit

WITHOUT Purchase

Years of service = 27 years
Final Compensation = \$29,340



Retirement Formula:

$$\begin{array}{r} 27 \text{ yrs} \times 2.2\% \\ \times \$29,340 = \\ \hline \$17,427.96 \end{array}$$



WITH Purchase

Years of service = 32 years
(27 current + 5 purchased)
Final Compensation = \$29,340



Retirement Formula:

$$\begin{array}{r} 32 \text{ years} \times 2.2\% \\ \times \$29,340 = \\ \hline \$20,655.36 \end{array}$$

By purchasing 5 years of service credit, the annual benefit increased by **\$3,227.40**. On a monthly basis, the benefit increased by **\$268.95!**



Strategies for your Retirement: Purchasing Service Credit

**MEMBERS SHOULD CAREFULLY
COMPARE THE COST OF
PURCHASING SERVICE CREDIT TO
THE INCREASED BENEFIT AMOUNT.**

**Hypothetical Cost to purchase 5
years: \$30,000**

\$30,000 / \$3227.40 = 9.3 years

Use our Member Self Service website at
Myretirement.ky.gov to produce retirement
estimates and service purchase cost calculations





STRATEGIES for Retirement

Members participating prior to 9/1/08



*Using Accrued Sick Leave
to increase service*

**Unused sick leave is
converted to months of
service credit at retirement**



Limited to 12 months for post 9/08 participants



STRATEGIES for Retirement

Members participating prior to 9/1/08

NONHAZARDOUS



Using Accrued Sick Leave to increase service

Example: Accumulation of 6 months of sick leave credit

\$			%				
Final Compensation	x	Benefit Factor	x	Years of Service Credit	=	Annual Benefit	Monthly Benefit
\$29,340.00	x	2.2%	x	27 Yrs.	=	\$17,427.96	\$1,452.33
\$29,340.00	x	2.2%	x	27.5 Yrs.	=	\$17,750.70	\$1,479.23

The annual benefit increases by **\$322.74**.
On a monthly basis, the benefit increases by **\$26.90!**



STRATEGIES for Retirement



Members participating prior to 9/1/08

NONHAZARDOUS



Using Accrued Sick Leave to increase service to meet unreduced retirement eligibility

Example: Accumulation of 6 months of sick leave credit

\$		%							
Final Compensation	x	Benefit Factor	x	Years of Service Credit	x	ERF	=	Annual Benefit	Monthly Benefit
\$39,159.18	x	2.0%	x	26.5 Yrs.	x	0.9675	=	\$20,079.85	\$1,673.32
\$39,159.18	x	2.0%	x	27 Yrs.	x	1.000	=	\$21,145.96	\$1,762.16

The annual benefit increases by **\$1,066.11**.

On a monthly basis, the benefit increases by **\$88.84!**



STRATEGIES for Retirement

Members participating prior to 9/1/08

NONHAZARDOUS



*Using compensatory time to
increase final compensation*

Example: Member has 239 hours of unused comp time and is retiring 8/1/15

No Compensatory Payment		
Year 1	\$3,500	1 month
Year 2	\$40,000	12 mos
Year 3	\$38,000	12 mos
Year 4	\$37,000	12 mos
Year 5	\$35,360	12 mos
\$153,860 / 49 mos. X 12 = \$37,680.00		

Compensatory Payment for 239 hours		
Year 1	\$8,664	1 month
Year 2	\$40,000	12 mos
Year 3	\$38,000	12 mos
Year 4	\$37,000	12 mos
Year 5	\$35,360	12 mos
\$159,024 / 49 mos. X 12 = \$38,945.00		




STRATEGIES for Retirement

Members participating prior to 9/1/08

NONHAZARDOUS



Using compensatory time to increase final compensation

	\$		%				
Amount of Comp Hours	Final Compensation	x	Benefit Factor	x	Years of Service Credit	=	Annual Benefit
0 hours	\$37,680	x	2.0%	x	27 Yrs.	=	\$20,347.20
239 hours	\$38,945	x	2.0%	x	27 Yrs.	=	\$21,030.06

In this example, 239 hours of comp. time increased the annual benefit by **\$682.86**.

On a monthly basis, the benefit increased by **\$56.91**!



STRATEGIES for Retirement

Members participating prior to 9/1/08

NONHAZARDOUS



Timing Example

June 1st Salary Average

Year 1	\$36,000	11 mos
Year 2	\$37,500	12 mos
Year 3	\$38,000	12 mos
Year 4	\$40,000	12 mos
Year 5	\$41,000	12 mos
Total	\$198,333	59 months
$\$198,333 / 59 \text{ mos.} \times 12 = \$40,338.91$		

August 1st Salary Average

Year 1	\$4,000	1 month
Year 2	\$44,000	12 mos
Year 3	\$42,000	12 mos
Year 4	\$40,000	12 mos
Year 5	\$39,000	12 mos
Year 6	\$36,000	12 mos
Total	\$176,000	49 months
$\$169,900 / 49 \text{ mos.} \times 12 = \$41,387.76$		

In this example, waiting just two months can increase your salary average by **\$704.21** a year!

STRATEGIES for Retirement



***Terminate
employment on the
last working day of
the month***

**Final compensation is based on your
average monthly salary and your
average might be reduced if you only
receive a partial month's salary**



**The average may be increased if termination
occurs in the early part of a new fiscal year**



Form 6000



Completing your Form 6000 Notification of Retirement

**About 45-60 days before your retirement,
complete Form 6000 and return it to KRS**

**You may file this
form with KRS
up to 6 months
prior to your
retirement date**

**Your employer
must complete
a section of this
form**

**All required forms
must be filed with
KRS by the last
day of the month
prior to the
retirement date**



Completing your Form 6000 Notification of Retirement

This form contains several sections:

- **Section A:** Member Information
- **Section B:** Type of Retirement
- **Section C:** Retirement Systems
- **Section D:** Retirement Account Beneficiary Designation
- **Section E:** \$5000 Death Benefit Beneficiary Designation
- **Section F:** Authorization of Deposit for Retirement Payment
- **Section G:** Tax Withholding
- **Section H:** Employer Certification of Leave Balances & Final Salary
- **Section I:** (Disability applicants only): Member's Statement of Disability



The Retirement Process

What happens after KRS receives the Form 6000?

- **Complete Form 6010, *Estimated Retirement Allowance***
 - You must select one payment option
 - Sign and date the form
 - Have a witness sign the form (spouse may serve as your witness)
- **Form 6200 *Insurance Application***
 - Complete this form if you are eligible for health insurance coverage through KRS for you, your spouse and eligible dependents
 - The insurance application is not required in order to process your retirement benefit.
 - However, you are responsible for timely filing of your Form 6200, insurance application, if you wish to obtain insurance coverage.



Health Insurance Coverage **CHANGES**



Once you have completed your documents, most changes will have to wait until the next annual open enrollment period unless a Qualifying Event occurs.



The Retirement Process

- The first retirement check is deposited or mailed on the 14th of the first month of retirement
 - After the first month, the monthly benefit is deposited to the member's account on the 14th of each month or last business day preceding the 14th.
- Post Retirement Audit:
 - Performed once all wages, contributions and sick leave balances have been reported to KRS and the date of termination has been verified
 - Benefit payment may be adjusted (up or down) if the audit results in a difference of at least \$2.00 in your monthly payment.
- KRS is statutorily required to correct all errors in records without exception.
 - If an error is discovered after the post retirement audit, it will be corrected.



Working after retirement

KRS 61.637 and 105 KAR 1:390



Re-Employment after Retirement

Contact KRS

NOTE: When you retire you must cease ALL employment with ALL agencies who participate in one of the systems administered by Kentucky Retirement Systems.

You should contact KRS before considering returning to work after you have retired. KRS wants to ensure that you do not unintentionally void your retirement benefits and have to return benefits already distributed to you.



Re-Employment after Retirement

Bona Fide Separation From Service Restriction - *Full Time*

- Kentucky law prohibits a retiree from having a prearranged agreement prior to termination to return to employment in a regular full-time position with any agency participating in any of the systems administered by KRS.
- At the time of reemployment, the participating agency and retiree must complete Form 6751.



Re-Employment after Retirement

Bona Fide Separation From Service Restriction - *Non-participating Positions*

- Kentucky law provides that a retiree cannot have a prearranged agreement prior to termination to return to employment in a non-participating position with the same employer.
- However, if returning to employment in a non-participating position for a different employer, you may have a prearranged agreement.



Re-Employment after Retirement

Separation From Service

- An employee who is retiring and returning to work will be required to observe a break in service of **THREE (3) months** before returning to work with a participating agency.
- An exception is a full time hazardous employee returning to full time hazardous employment is one month.



Re-Employment after Retirement



*If you do NOT observe a proper break or if you have a prearranged agreement, your retirement will be **VOIDED!***

*...and
repay all the benefits you
have received!*



Re-Employment after Retirement

Form 6751

- **Member and Employer Certification Regarding Reemployment**
- **Must be completed at time of reemployment, certifying under penalty of perjury that no prearranged agreement existed.**

Working After Retirement



**Participation
in KRS**

**Retiree returns to
work on or after
9/1/08 in a
*participating position***

**Employer
contributions are
required**
*Must be reported on
monthly contribution
report*

**No employee
contributions to
KRS for retiree**



Working After Retirement

Health Insurance

Initial participation date
is prior to 9/1/08

Reemployed after
9/1/08 in a participating
position

Health insurance
coverage is through
KRS

Employer is required to reimburse
KRS for contribution for single
coverage for retiree



Disability Benefits

Requirements



DISABILITY BENEFITS

Requirements for Non-Hazardous Members

The member must have at least 60 months of service, 12 of which are current service.

The service credit requirement shall be waived if the disability is a result of a duty related injury

The application for disability benefits must be filed at the retirement office within 24 months from the *last day of paid employment* in a regular full-time position, regardless of the intent to return to work.

Last Day of Paid Employment refers to the last day retirement contributions are required to be reported to KRS in order for the member to receive current service credit for the month.

For a person whose membership date is prior to August 1, 2004, the person shall not be eligible for an unreduced benefit.

The Systems' medical examiners determine the member is functionally incapacitated from performing his job, or a job of similar duties.



DISABILITY BENEFITS

Requirements for **Hazardous** Members

The member must have at least 60 months of service,
12 of which are current service.

The service credit requirement shall be waived if the disability is a result of an in line of duty related injury.

The application for disability benefits must be filed at the retirement office no later than 24 months **after the last day of paid employment** in a regular full-time position.

For a person whose membership date is prior to August 1, 2004, the person shall not be eligible for an unreduced benefit.

The Systems' medical examiners must determine the following:

- The member is incapable of engaging in any occupation for remuneration or profit, or
- The member is totally incapable of working in a hazardous position, but may still be capable of performing other types of work.

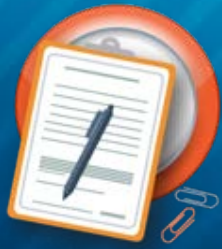


Death Before Retirement

Naming a Beneficiary

Beneficiary Options

Death in the Line of Duty



Death Before Retirement: Naming a Beneficiary

Form 2035, Beneficiary Designation:

- You may name one or more persons, a trust, trustee, or estate as beneficiary.
- Before making your beneficiary designation, understand how your designation will affect the benefits offered in the event of your death.
 - If you name more than one person as principal beneficiary, no lifetime payment will be offered.
 - A contingent beneficiary would receive payments only if death occurs to you and your principal beneficiary prior to receiving monthly payments.

Death Before Retirement:

Requirements:

- If an active member dies with at least 60 months of service, the beneficiaries will be eligible for benefits.
- If an inactive member dies with at least 144 months of service, the beneficiaries will be eligible for benefits.
- The beneficiary may also be eligible for monthly benefits if the member is at least 65 years old and has 48 months of service credit, 12 of which are current service.

Death Before Retirement:

Beneficiary Options:

- A sole beneficiary may choose a lump sum actuarial refund, a 5 year or 10 year monthly benefit, or a lifetime benefit.
- The lifetime monthly benefit is equal to the Survivorship 100% Option amount the member would have received had he retired at the time of his death.
- Multiple beneficiaries may choose a lump sum actuarial refund, or a 5 year or 10 year monthly benefit.
- An estate or trust may choose only a lump sum actuarial refund.

Death Before Retirement: In The Line of Duty

Surviving spouse shall be eligible for the higher of the normal death benefit or a \$10,000 lump sum payment.



Plus a monthly payment of 25% of the monthly final rate of pay.



In addition, each eligible dependent child will receive 10% of your monthly final rate of pay up to a maximum of 40%

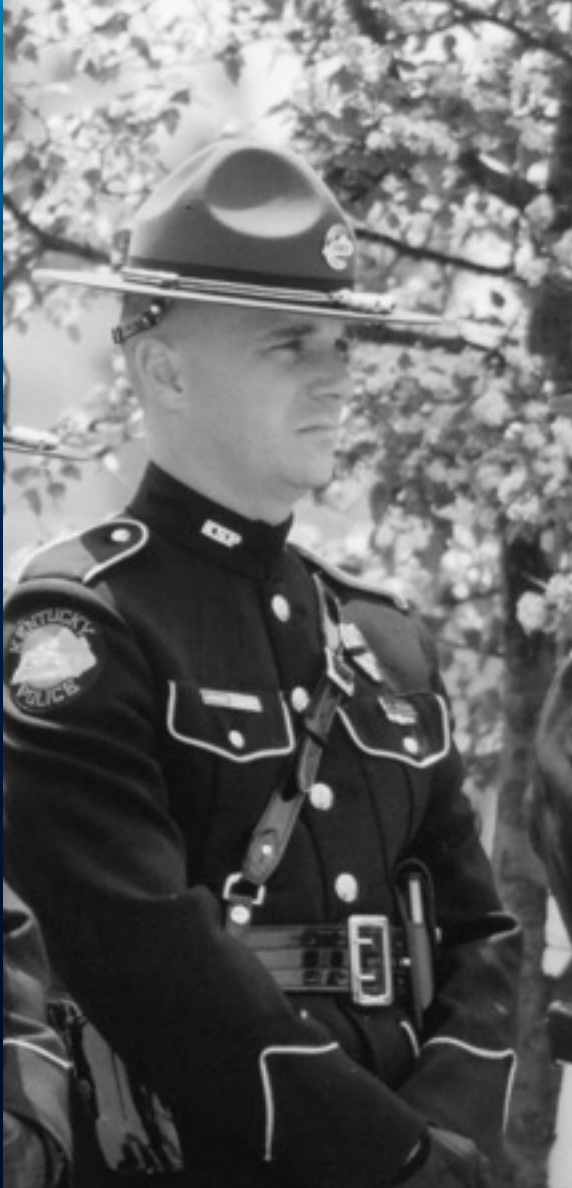


Death Benefit

Member must be receiving a monthly benefit based on at least 48 months of service credit

\$5,000 death benefit will be paid to the beneficiary specifically named for the death benefit.

- The member may name a person, his estate, a trust, or a funeral home as beneficiary for the death benefit.
- A retired member can change the beneficiary for the death benefit at any time.
- The \$5,000 death benefit is subject to federal income tax, but is eligible for rollover.



Member Accounts



**Member Self Service
(MSS) website:**
myretirement.ky.gov

KRS website:
kyret.ky.gov

Email:
krs.mail@kyret.ky.gov
Email is not secure



Telephone
(800) 928-4646



Mail
1260 Louisville Road
Frankfort, KY 40601



Legal Notice

If you have any questions about the material in this presentation please contact KRS at 1-800-928-4646.

This presentation is intended merely as a general information reference for members of the KRS.

This presentation is not intended as a substitute for applicable Federal or state law, nor will its interpretation prevail should a conflict arise between its contents and applicable Federal or state law.

Before making decisions about your retirement, you should contact Kentucky Retirement Systems.





Questions?